

REMARKS

Claims 1-7, 10-12, 14 and 18-20 have been amended. Claims 17 and 24-33 have been canceled. Claims 34-49 have been added as new claims. Support for the amended and new claims can be found throughout the specification as originally filed. Upon entry of the amendment, claims 1-16, 18-23 and 34-49 will be pending.

Interview

On February 29, 2008, the undersigned participated in a phone interview with Examiner Perry. The undersigned would like to thank the Examiner for the opportunity to participate in the phone interview regarding this application. The parties discussed the current application, the objections to the current application, and the rejections of the current application under 35 U.S.C. §§ 112, 102 and 103 as applied to the pending claims. During the interview, the Examiner agreed that the claim objections and the § 112 rejections to the use of the term a “forward purchase contract” would be removed. No other agreements regarding this application were reached during the interview.

Drawing Objections

The Examiner objected to the drawings because “Figure 2 shows investor purchases second security but claims (1, 18-20, 28, 32) only show investor being loaned a quantity of security by second entity.” As shown in Figure 2, at step 36, the investor purchases the second security, and, at step 38, the second entity lends a third quantity of the first security to the investor. As discussed in MPEP 608.02(d), “[t]he drawing in a nonprovisional application must

show every feature of the invention specified in the claims.” The feature of claims 1, 18-20, 28, and 32 regarding the investor being loaned a quantity of the securities by the second entity is shown in Figure 2 at step 38. Applicants, therefore, respectfully submit that drawings of the present application meet the drawing requirements.

Claim Objections

Claims 1, 5-9, 11-16, 19, 20, 23, 26 and 30 were objected to in the Office Action because:

Claim 1 shows second entity entering into a forward purchase contract, but in fact it is a forward purchase contract from the viewpoint of the first entity; it is a forward sale contract from the viewpoint of the second entity (second entity delivers a quantity of security).

Office Action at pg. 3. Applicants respectfully submit that a forward purchase contract can be viewed as identical to a forward sale contract, the only difference being in the perspective of the respective parties to the contract. Nevertheless, both parties may refer to the contract as a forward purchase contract because it obligates one party to purchase goods. For example, when an individual purchases a home, there is only one agreement entered into between the buyer and the seller, and that agreement can be referred to as either a home purchase agreement or a home sale agreement. This is the exact same scenario with forward contracts. A forward purchase/sale contract is a bilateral contract where one party agrees to purchase and the other party agrees to sell an asset. The Examiner agreed with the applicants’ position during the phone interview.

Claims 11-12 have been objected to by the Examiner because “[b]oth claim 11 and 12 ask for payment of the total distributions paid on the security until settlement of forward

purchase contract, but do not cite a beginning of the interval.” As amended, claims 11 and 12 recite “a total of any distributions paid on the first security from the date of formation of the forward purchase contract until the settlement date of the forward purchase contract.” Applicants respectfully submit that this amendment addresses the Examiner’s concerns.

Claim 12 has been objected to because as stated in the Office Action “[c]laim 12 recites the same limitations as claim 11, thus does not further limit claim 11.” Both claim 11 and claim 12 depend from claim 8, but claim 11 contains additional features that claim 12 does not. Applicants respectfully submit that claims 11 and 12 do not claim the same features and thus should not be objected to as duplicative.

Claims 21-23 have been objected to by the Examiner because “[c]laim 23 as amended references both claims 21 and 22.” Claim 23 has been amended to address the Examiner’s objection.

Section 112 Rejections

Claims 1-30 stand rejected under 35 U.S.C. § 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention. Claims 1, 5-9, 11-16, 19-20, 26 and 30 have been rejected based on the use of the term “forward purchase contract.” As discussed above, applicants submit that a forward purchase/sale contract is a bilateral contract where one party purchases and the other party sells an asset. The Examiner agreed during the phone interview that use of the term “forward purchase contract” does not render the claims indefinite.

Claims 11-12 have been rejected by the Examiner because “[b]oth claim 11 and 12 ask for payment of the total distributions paid on the security until settlement of forward purchase contract, but do not cite a beginning of the interval.” As amended, claims 11 and 12 recite “a total of any distributions paid on the first security from the date of formation of the forward purchase contract until the settlement date of the forward purchase contract.” Applicants respectfully submit that this amendment addresses the Examiner’s rejection.

Claims 12-13 have been rejected because they “name a ‘second amount’ but nowhere in the preceding claims is a ‘first amount’ discussed.” Applicants have amended claim 11 to include a first amount. Applicants submit that the amendment to claim 11 is sufficient to overcome the § 112 rejection.

In that connection, although not rejected, claim 16 refers to “a second security,” but the other claims do not refer to “a first security.” Therefore, applicants have amended the claims (e.g., claim 1) to refer to “a first security.”

Section 102 Rejections

In the Office Action, claims 26 and 30 stand rejected under 35 U.S.C. § 102(e) as being anticipated by published U.S. patent application U.S. Pub. No. 2004/0030638 to Dwin. In response, claims 26 and 30 have been canceled, rendering the rejections as moot.

Section 103 Rejections

Claims 1-4 and 6 stand rejected under 35 U.S.C. §103(a) as obvious in view of a proposed combination of “Monetizing Unrealized Gains In Non-strategic Assets,” International

Tax Review, June 2000 (hereinafter referred to as “NPL1”) and a published U.S. patent application Pub. No. 2002/0010670 to Mosler.

As currently amended, claim 1 recites

A method for increasing an amount of a first security available to an investor for borrow, the first security issued by a first entity, the method comprising:

by a second entity,

purchasing a first quantity of the first security;

entering into a forward purchase contract with the first entity, wherein the forward purchase contract obligates the second entity to subsequently deliver a second quantity of the first security to the first entity; and

lending a third quantity of the first security to the investor.

The method recited in claim 1 increases the amount of a security available for an investor to borrow. An investor may want to borrow an amount of a security to short-sell that security to offset the investor's purchase of convertible debt, but the investor can only do so if there is sufficient quantity of the security to borrow. One way to increase the supply of the security would be for the issuer of the security to introduce more of the security into the market. This, however, negatively affects financials related to the security, such as earnings-per-share, etc., because it increases the number of shares of the security that are outstanding. In contrast, the method of claim 1 allows the first entity to increase the amount of the security available for borrow without negatively effecting the position of the first entity's stock in the marketplace. Under current financial accounting standards, the forward purchase contract would be accounted for as a repurchase of shares, which decreases the first entity's cash, equity, and total common

shares outstanding. As a result of this accounting treatment, the first entity's earnings-per-share remain practically unchanged using the method of claim 1.

The Office cites the stock lending of NPL1 and the repos of Mosler in rejecting claim 1.

As disclosed in NPL1:

Securities lending is a transaction where a lender transfers legal title to securities to a borrower and the borrower is obliged to return the same type of securities to the lender at the end of the lending period. At the end of the term, the borrower will return to the lender a similar number, type, class, series or maturity date of instruments or securities. This type of transaction is typically driven by the desire of a long-term passive investor, such as a pension fund to earn additional income from securities and the needs of active stock market participants or market-makers to obtain stock to deliver on short sales...

See NPL1. As disclosed in Mosler:

A "reverse repo" or a "reverse repurchase agreement" is a short term loan agreement by which one party buys an asset from another party, but promises to sell back the asset at a specified time.

See Mosler at ¶[0236]. The stock lending of NPL1 and the repos of Mosler are roughly equivalents, as discussed in NPL1:

Stock-lending is primarily focused on the securities – the securities lender wants enhanced yield from its securities portfolio; the borrower needs securities to deliver. Repo tends to be driven by the cash, rather than the securities subject to repo. But, it is easy to see where they can merge together, in the case of a cash-collateralized stock-loan. The securities lender is equivalent to the borrower under a repo. Typically, it gets the collateral, invests it in an agreed way and returns all the yield except a relatively small margin, its stock lending fee. But if it were to be free to use the collateral as it likes, subject to the need to pay a fixed amount to the stock-borrower..., the transaction would become economically identical to the simple repo described above.

See NPL1 (emphasis added).

Applicants respectfully submit that neither NPL1 nor Mosler disclose the step of the second entity “entering into a forward purchase contract with the first entity, wherein the forward purchase contract obligates the second entity to subsequently deliver a second quantity of the first security to the first entity.” A person having ordinary skill in the art (“PHOSITA”) would not be motivated by looking at NPL1 and Mosler to combine NPL1 and Mosler to come up with an equivalent of claim 1. The method of claim 1 provides unpredictable results, namely that the quantity of security available for borrow is increased without decreasing the earnings per share of the first entity. Neither NPL1 nor Mosler disclose or hint at providing a solution to this problem.

Applicants respectfully submit that, for at least the above reason, claim 1 is not anticipated or obvious in view of NPL1 and Mosler. For analogous reasons, claims 34, 39, 43 and 47-49 are not anticipated or obvious in view of NPL1 and Mosler. Therefore, claims 2-16, 18-23, 35-38, 40-42 and 44-46 are not obvious in view of the cited references. *See* MPEP § 2143.03 (“If an independent claim is nonobvious under 35 U.S.C. 103, then any claim depending therefrom is nonobvious.”).

CONCLUSION


Applicants respectfully submit that all of the claims presented in the present application are in condition for allowance. Applicants’ present Amendment should not in any way be taken as acquiescence to any of the specific assertions, statements, etc., presented in the Office Action not explicitly addressed herein. Applicants reserve the right to specifically address all such

assertions and statements in subsequent responses. Applicants also reserve the right to seek claims of a broader or different scope in a continuation application.

Applicants have made a diligent effort to properly respond to the Office Action and believes that the claims are in condition for allowance. If the Examiner has any remaining concerns, the Examiner is invited to contact the undersigned at the telephone number set forth below so that such concerns may be expeditiously addressed.

Date: 3 April 2008

Respectfully submitted,


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